

**SURREBUTTAL TESTIMONY AND EXHIBITS OF**  
**GARY C. JONES, P.E.**  
**ON BEHALF OF**  
**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**  
**DOCKET NOS. 2017-207, 305, 370-E**

**IN RE: JOINT APPLICATION AND PETITION OF SOUTH CAROLINA  
ELECTRIC & GAS COMPANY AND DOMINION ENERGY,  
INCORPORATED FOR REVIEW AND APPROVAL OF A PROPOSED  
BUSINESS COMBINATION BETWEEN SCANA CORPORATION AND  
DOMINION ENERGY, INCORPORATED, AS MAY BE REQUIRED, AND  
FOR A PRUDENCY DETERMINATION REGARDING THE  
ABANDONMENT OF THE V.C. SUMMER UNITS 2 & 3 PROJECT  
AND ASSOCIATED CUSTOMER BENEFITS AND COST RECOVERY  
PLANS**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Gary C. Jones. My business address is 1555 North Astor Street,  
Apartment 22W, Chicago, Illinois 60610. I am President of Jones Partners, Ltd.

**Q. DID YOU FILE DIRECT TESTIMONY AND EXHIBITS IN THIS PROCEEDING?**

**A.** Yes. I filed direct testimony and Exhibits GCJ-1 through GCJ-12 with the Public  
Service Commission of South Carolina (“Commission” or “PSC”) on September 24, 2018.

**Q. WHAT ARE THE PURPOSES OF YOUR SURREBUTTAL TESTIMONY?**

**A.** The purposes of my surrebuttal testimony are to respond to the rebuttal testimony  
provided by South Carolina Electric & Gas (“SCE&G”) witnesses Dr. Kenneth Petrunik  
and Mr. Kyle M. Young and to provide further evidence and support for positions taken in

my direct testimony based on newly provided information that has become available through my review of additional information received during the discovery process,

**Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?**

**A.** Yes. I fully reserve the right to revise my recommendations via supplemental testimony should new information become available not previously provided by the SCE&G and Dominion Energy, Inc., or from pending state and federal investigations and lawsuits.

**Q. HAS ADDITIONAL INFORMATION BECOME AVAILABLE THAT SUPPORTS YOUR POSITION THAT SCE&G SHOULD NOT BE ALLOWED TO RECOVER ANY COSTS FROM MARCH 12, 2015, ATTRIBUTED TO CONSTRUCTION OF V.C. SUMMER UNITS 2 AND 3 (“PROJECT”)?**

**A.** Yes. The primary reasons I recommend the disallowance of recovery of Project costs from March 12, 2015 to the current date are SCE&G’s actions to withhold material information and provide unsubstantiated, misleading and baseless estimates of the revised Project construction schedule and costs. In further support of my position, I am providing four (4) additional examples of SCE&G’s actions to withhold and deceive the PSC and ORS, as follows:

**Example 1: SCE&G employees estimated the cost to complete which was different than the estimated cost provided to the PSC in SCE&G’s filing in Docket No. 2015-103-E**

The most supportive additional information that demonstrates SCE&G’s deception are detailed in the April 24, 2018 deposition provided by Ms. Carlette L. Walker which

1 was recently made available to me. Ms. Walker is the former SCE&G Vice President of  
2 Nuclear Finance Administration and had direct responsibility for the financial  
3 administration of the V.C. Summer Units 2 & 3 (“VCS 2 & 3”) nuclear project during the  
4 time in question through her retirement in June 2016. I am including the transcript of Ms.  
5 Walker’s deposition as Surrebuttal Exhibit GCJ-1. On page 49 of the transcript, Lines 7 –  
6 10, Ms. Walker discusses (REDACTED)

7  
8  
9 (REDACTED) Based on my reading of the transcript of her deposition,  
10 (REDACTED)

11  
12  
13  
14  
15  
16 (REDACTED) Ms. Walker’s  
17 deposition provides additional vivid details of the deceit and intentional obfuscation  
18 employed by SCE&G in the March 12, 2015 PSC filing.

19 **Example 2: SCE&G employees did not have confidence in the schedule provided by**  
20 **SCE&G to the PSC in Docket No. 2015-103-E**

21 Further credence to Ms. Walker’s assertions about the SCE&G’s decision to  
22 mislead the PSC and ORS are provided in Surrebuttal Exhibit GCJ-2, Kevin Kochem’s  
23 August 25, 2014 e-mail to Kenneth Browne, et. al. Referring to Item 5, it is stated that, “I

1 think this needs to be the schedule we plan to file with the PSC (whether we think it is  
2 achievable or not.)” I think it is apparent from this that the SCE&G Estimate At  
3 Completion (“EAC”) team had no confidence in the schedule provided by the Consortium  
4 and being filed with the PSC in the March 12, 2015 submittal.

5 **Example 3: SCE&G employees confirmed cost and schedule estimates were not**  
6 **provided to the PSC and ORS**

7 Surrebuttal Exhibit GCJ-3 which is the transcript of the deposition of Mr. Kenneth  
8 Browne. Mr. Browne worked for SCE&G from November 2009 until July 2016 in the  
9 Business and Finance Group at the VCS 2&3 site under the supervision of Mr. Abney  
10 Smith. On page 19, Line 14 of the transcript, Mr. Browne states (REDACTED)

11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED] (REDACTED) On page 95 of the transcript, Mr. Browne  
14 discusses the (REDACTED) (REDACTED) Mr.  
15 Browne goes on to state on page 101, Lines 6 and 7 of the transcript that, (REDACTED)

16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED] (REDACTED) In addition, Mr. Browne  
19 states on page 209, Lines 3 and 4 of the transcript that (REDACTED)

20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED] (REDACTED)  
23 He further acknowledges on page 238, Lines 2 through 7 of the transcript that

1 (REDACTED) [REDACTED]

2 [REDACTED] (REDACTED)

3 Of interest in the transcript of the deposition is (REDACTED) [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED] (REDACTED) This

7 reason defies logic because a contingency is not created if the costs presented reflect the  
8 true and accurate estimate, which, it appears to me, the EAC team firmly believed.

9 The issues identified in Mr. Browne's deposition mostly address the lack of faith  
10 the EAC team had in the cost estimate provided by the Company in Docket No. 2015-305-  
11 E; however, Mr. Browne also addressed the lack of faith in the construction schedule upon  
12 which the cost estimate was based. On pages 147 and 148 of the transcript, he states,

13 (REDACTED) [REDACTED] [REDACTED] [REDACTED]

14 [REDACTED] (REDACTED)

15 **Example 4: SCE&G employees chose not to disclose schedule information to ORS**

16 Another example that specifically demonstrates SCE&G's attempts to deceive ORS  
17 is provided in Surrebuttal Exhibit GCJ-4, Mr. Kyle Young's July 31, 2014 e-mail to Mr.  
18 Abney Smith wherein Mr. Young acknowledges that Alan<sup>2</sup> has advised Mr. Dukes Scott,  
19 former Executive Director of ORS, that the Consortium was not out of compliance with  
20 providing SCE&G with a construction schedule even though one had not been provided  
21 since February 2014 because they had provided 3-week and 18-month look-ahead  
22 schedules. I interpret this e-mail as a warning to Mr. Smith that invoking Article 3.3 of the

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<sup>1</sup> This refers to (REDACTED) [REDACTED] (REDACTED)

<sup>2</sup> This refers to Alan Torres, SCE&G Construction Manager for NND.

1 EPC contract regarding the Consortium's non-compliance might result in a conflict with  
2 ORS.

3 **Q. WHAT ADDITIONAL INFORMATION HAS BECOME AVAILABLE TO**  
4 **SUPPORT YOUR POSITION THAT SCE&G DID NOT BELIEVE THE**  
5 **CONSTRUCTION SCHEDULE AND COST INFORMATION PROVIDED IN THE**  
6 **MARCH 12, 2015 FILING?**

7 **A.** Additional information recently received by me demonstrates that immediately  
8 before and after the March 12, 2015, filing SCE&G had no confidence in the schedule that  
9 had been provided to them by the Consortium.

10 1) Surrebuttal Exhibit GCJ-5, Abney A. Smith letter to JoAnne Hyde (WEC) NND-14-14-  
11 0434, dated July 22, 2014 in which Mr. Smith points out that the Consortium schedule  
12 submitted was **"incomplete and inaccurate"** and that no corrected schedule had yet been  
13 submitted.

14 2) Surrebuttal Exhibit GCJ-6, a May 19, 2015 e-mail sent to Alvis Bynum to which is an  
15 attachment designated "CEO Talking Points – April 28, 2015" wherein it is stated that the  
16 **"Consortium has no credibility for developing a realistic schedule."** This was written  
17 at the time when the schedule presented in the filing is under review by ORS, which did  
18 not have access to this document at the time.

19 3) Surrebuttal Exhibit GCJ-7, Steve Pelcher's April 28, 2015 e-mail to Alvis Bynum  
20 wherein it is stated that "...the project is in jeopardy and **we have no confidence in the**  
21 **schedule they (the Consortium) are providing to us."** Again, this statement is made by  
22 an SCE&G employee just over a month after SCE&G has made their March 12, 2015, PSC  
23 filing and while the filing was still under review by ORS.

1 It is also important to note that ORS was not privy to any of these documents or  
2 conclusions prior to the discovery associated with this current proceeding.

3 **Q. IS THERE ADDITIONAL INFORMATION THAT SUPPORTS YOUR POSITION**  
4 **THAT SCE&G WITHHELD IMPORTANT INFORMATION FROM THE PSC**  
5 **AND ORS THAT WAS MATERIAL TO THE SCHEDULE OF THE PROJECT?**

6 **A.** Yes. In my direct testimony, I stated that SCE&G's willful failure to disclose to the  
7 PSC and ORS, at the time of their March 12, 2015 filing, that they planned to have Bechtel  
8 perform a project assessment prevented me from assessing material information that would  
9 have influenced my review of their filing and acceptance of the subsequent settlement  
10 agreement. SCE&G later failed to disclose the results of the Bechtel assessment which  
11 directly addressed materially important information about the schedule of the Project and  
12 identified important issues and recommended solutions.

13 As further evidence of SCE&G's failure to provide relevant information to the PSC  
14 and ORS, Surrebuttal Exhibit GCJ-8 demonstrates the decision of SCE&G to conceal the  
15 Bechtel report from the PSC and ORS. In the e-mail between two SCE&G employees,  
16 (Alvis Bynum's November 11, 2016 e-mail to Kevin Marsh and Ronald Lindsey) the  
17 attachment to the e-mail entitled "Talking Points" states "We agreed to the CORB<sup>3</sup> in  
18 return for flushing the Bechtel report." This further expands the SCE&G lexicon as it  
19 intentionally resisted disclosure of the Bechtel report to now include "scrubbing,"  
20 "whitewashing," and "flushing." This is not a good vocabulary for a utility claiming to  
21 "communicate openly and honestly" and "do what is right" as detailed in the SCE&G's  
22 parent company's, SCANA Corporation, Code of Conduct and Ethics.

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<sup>3</sup> CORB – Construction Oversight Review Board.

Surrebuttal Exhibit GCJ-12 is another example of correspondence and analysis of SCE&G employees and executive management that support my conclusion that SCE&G concealed information, including the EAC team analysis and the Bechtel assessment/report from the PSC and ORS. The failure to disclose materially important information about the Project limited the decisions of the PSC and ORS about the Project.

**Q. HAVE YOU REVIEWED THE REBUTTAL TESTIMONY SUBMITTED BY DR. KENNETH PETRUNIK ON OCTOBER 24, 2018, AND HIS DIRECT TESTIMONY SUBMITTED ON SEPTEMBER 24, 2018?**

**A.** Yes, I have.

**Q. PLEASE RESPOND TO DR. PETRUNIK'S ASSERTION THAT SCE&G PROVIDED YOU WITH ALL MATERIAL INFORMATION REQUIRED FOR YOU TO PERFORM AN ADEQUATE SCHEDULE ASSESSMENT.**

**A.** Dr. Petrunik is the main rebuttal witness for nuclear construction issues on behalf of SCE&G and he had no role in the Project when construction was active. Dr. Petrunik is confused about the role of ORS to monitor the Project. Under the Base Load Review Act ("BLRA"), ORS provided on-going monitoring under S.C. Code Laws § 58-33-277(B) which states:

(B) The Office of Regulatory Staff shall conduct on-going monitoring of the construction of the plant and expenditure of capital through review and audit of the quarterly reports under this article, and shall have the right to inspect the books and records regarding the plant and the physical progress of construction upon reasonable notice to the utility.



1       ORS is not tasked with the responsibility to develop the construction schedule for the  
2       Project. ORS was required to review the schedule presented by SCE&G; however, as I  
3       have discovered, SCE&G did not provide all scheduling information to me for review.

4       Throughout his testimony Dr. Petrunik conflates knowledge of an issue with the  
5       requirement to implement a solution. I have acknowledged that I was aware of many of the  
6       major issues on the Project, but that does not equate to the requirement to propose how the  
7       issue should be resolved or how successful the proposed resolution may be. It certainly  
8       does not mean that I should have known in detail how each of these issues would impact  
9       the overall completion date.

10       Dr. Petrunik also asserts that SCE&G provided a clear picture of where the Project  
11       stood on a month-by-month and quarter-by-quarter basis. However, knowing the progress  
12       that has been made on these limited bases does not convey adequate information on  
13       determining the final completion date of the project. In most cases the information  
14       conveyed was that the planned activities were not completed on schedule. This limited  
15       input does not relate how the delay in completing these activities or in not completing the  
16       planned activities impacts the project completion dates. The final completion date is the  
17       important component that was not adequately addressed by SCE&G in their reporting and  
18       that was withheld from the PSC and ORS.

19   **Q.   DO YOU AGREE WITH DR. PETRUNIK'S CHARACTERIZATION OF THE**  
20   **BECHTEL REPORTS?**

21   **A.**       No. The most important information that SCE&G withheld from the PSC and ORS  
22       was the schedule assessment of the Project. Dr. Petrunik erroneously maintains that an  
23       assessment of the schedule was not part of the Bechtel scope of work authorized by

1 SCE&G and that Bechtel's assessment was inadequate because it did not reflect key project  
2 data and thus, the schedule was properly excluded from the report. First, the schedule  
3 assessment was not excluded from the Report. It was segregated into a separate report  
4 which had the sole purpose of further obfuscating and hiding the results of Bechtel's  
5 findings.

6 I have maintained throughout my testimony that if ORS had known of the Bechtel  
7 schedule assessment, ORS's review would have been affected and the results would have  
8 been materially impacted. Dr. Petrunik and SCE&G cannot arbitrarily dictate what  
9 information is material to the PSC and ORS. The Company's obligation is to disclose the  
10 information and they failed to do so, as has been demonstrated and supported by the  
11 numerous examples provided in my testimony. It is SCE&G's responsibility to disclose  
12 this information and this responsibility cannot be shifted by SCE&G to ORS.

13 **Q. PLEASE EXPLAIN HOW SURREBUTTAL EXHIBIT GCJ-9 CONTRADICTS DR.**  
14 **PETRUNIK'S CHARACTERIZATION OF THE BECHTEL REPORTS?**

15 **A.** Surrebuttal Exhibit GCJ-9 which is the October 19, 2018, transcript of the  
16 deposition of Mr. Ty Troutman, a Bechtel Executive who was directly in charge of the  
17 Bechtel assessment performed for VCS 2 & 3. (REDACTED)

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED] (REDACTED) This is directly counter

1 to the claims and assertions by Dr. Petrunik that the schedule assessment was of no value  
2 and useless. Mr. Troutman also states (REDACTED) [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED] (REDACTED) Mr. Byrne

13 claimed he had no knowledge of the Bechtel assessment until the October 22, 2015,  
14 presentation to the joint Owner's executives. This now conflicts with the testimony of Mr.  
15 Troutman.

16 **Q. WHAT IS YOUR RESPONSE TO THE REBUTTAL TESTIMONY OF SCE&G**  
17 **WITNESS KYLE YOUNG?**

18 **A.** In my opinion, Mr. Young describes a thorough review performed by the SCE&G  
19 team on a flawed schedule. He acknowledges the schedule his team reviewed contained  
20 artificial or hard constraints. As I have discussed in my previous testimony, these  
21 constraints prohibit an accurate representation of the true completion dates and provide an  
22 overly optimistic schedule.

**Q. PLEASE RESPOND TO THE ASSERTIONS MADE BY SCE&G THAT THE BECHTEL REPORT HAD NO MATERIALLY RELEVANT CONTENT.**

**A.** In my opinion, SCE&G's assertion defies logic. The SCE&G assertion that the Bechtel schedule assessment was unimportant demonstrates SCE&G's lack of construction management experience and expertise. According to SCE&G, they first learned of Bechtel's estimated construction completion dates at the October 22, 2015 executive management presentation. Even if one acknowledges the preliminary nature of the Bechtel assessment, it is difficult to understand how SCE&G could make a decision to agree to the Engineering Procurement Construction ("EPC") Amendment on October 27, 2015 (see Surrebuttal Exhibit GCJ-10) a mere five days after SCE&G executive management received the startling revelation about the delay in completion dates presented by Bechtel. The Bechtel evaluation of the completion dates indicated the Project would not qualify for the Federal Production Tax Credits, which meant that SCE&G would lose over \$2 billion. This significant loss could not be mitigated by any of the provisions of the negotiated EPC Amendment and would result in a direct loss to SCE&G and South Carolina ratepayers. It seems premature and reckless on SCE&G's part to have agreed to the EPC Amendment with the knowledge that the Federal Production Tax Credits would be lost based on the Bechtel analysis of the schedule. Note that all these decisions occurred prior to SCE&G exercising the fixed price option.

SCE&G had expended \$1 million on an assessment by Bechtel that they dismissed immediately and with no serious consideration. It would seem reasonable that they would at least explored in more detail the basis of the Bechtel assessment and would have requested Bechtel to refine the schedule assessment if SCE&G believed the schedule to be

1 based on overly simplified assumptions or a flawed methodology. SCE&G had been  
2 provided input from the pre-eminent nuclear plant construction contractor in the world and  
3 their reaction was to discard the analysis and then hide it from the PSC and ORS. This  
4 decision by SCE&G was reckless and adversely impacted the subsequent review by ORS.

5 It is significant that SCE&G chose to specifically track the implementation of  
6 Bechtel's recommendations and issue a special report that detailed the status of  
7 implementation. If Bechtel's recommendations were not materially important, why did  
8 SCE&G implement them on the Project and why specifically track their implementation?  
9 It should be noted that the status report was not provided to the ORS during the active life  
10 of the project and only became known to me during the discovery period.

11 Dr. Petrunik attempts to establish the Bechtel Report as not timely and useful  
12 because it was not issued until February 2016. Contrary to his opinion, the first Bechtel  
13 report was issued in November 2015 and a presentation of Bechtel's findings and  
14 recommendations, as well as their schedule assessment, was made to SCE&G and Santee  
15 Cooper executive management on October 22, 2015. The delay in issuing the Bechtel  
16 report was due to SCE&G. It is my opinion that the Bechtel report results were timely -  
17 they were ignored and hidden.

18 Dr. Petrunik also attempts to discredit the Bechtel Report as solely reflecting self-  
19 interest on Bechtel's part in that they were seeking an on-going role on the Project. This  
20 does not seem logical to me since it would have been more beneficial to Bechtel to mute  
21 their criticism of SCE&G management of the Project if they were only seeking to expand  
22 their own role. Also, even if this were the case, I think at this point SCE&G should have  
23 realized that the Project was in desperate need of additional project management expertise

1 and that Bechtel would have been an excellent source to obtain this additional expertise.  
2 Instead SCE&G totally discounted Bechtel's assessment and actively pursued hiding the  
3 results from the PSC and ORS.

4 The Bechtel assessment and Bechtel Report were materially relevant information  
5 that should have been disclosed by SCE&G to the PSC and ORS. For SCE&G to maintain  
6 otherwise is wrong and contradicted by now available information and recently disclosed  
7 SCE&G communications.

8 **Q. WHAT ARE YOUR CONCLUDING COMMENTS RELATIVE TO DR.**  
9 **PETRUNK'S TESTIMONY?**

10 **A.** Dr. Petrunik states in his testimony that in late 2015, WEC and Fluor put together  
11 a resource-loaded integrated project schedule that corresponded to the new completion  
12 dates in the fixed price contract. If this is true, this information was not provided to ORS  
13 by SCE&G. I was repeatedly told by SCE&G employees that Fluor had no active  
14 participation on the Project before January 2016 and that Fluor was expressly prohibited  
15 from visiting the Project site and participating in meetings until details of the CB&I  
16 departure were finalized. Supposedly, no interaction between CB&I and Fluor was  
17 permitted during this time. This means that if Fluor did develop the Project schedule as  
18 stated by Dr. Petrunik, Fluor had no input from the construction contractor, CB&I. Also, if  
19 this schedule was developed by WEC and Fluor, it was never provided to the ORS.

20 **Q. PLEASE ADDRESS SCE&G'S ASSERTION YOU WERE AWARE OR SHOULD**  
21 **HAVE BEEN AWARE THE CONSTRUCTION SCHEDULE WAS DELAYED**  
22 **BEYOND THE DATES PROVIDED IN THE MARCH 12, 2015, AND MAY 26, 2016,**  
23 **FILINGS.**

1     **A.**             It was not in my scope of work for the ORS or within my individual capability to  
2             develop a detailed construction schedule for a large nuclear power plant. I do not have  
3             access to the sophisticated software and powerful hardware that are required to develop a  
4             detailed construction schedule for a project of this magnitude without associating other  
5             experts to assist me. My role was to review and monitor the construction schedule and  
6             budget produced by SCE&G and provide input to ORS on the status of the construction.  
7             To monitor the Project, I depended on SCE&G to provide accurate and complete  
8             information to me and to be truthful and forthright. SCE&G failed to fulfill its obligation.

9             I was aware of most of the major issues on the Project and I was aware that these  
10            issues carried risks of impacting the schedule. I was not in a position to calculate the  
11            specific impact on the final completion dates of all of these issues. To do so required  
12            computer models that have hundreds of thousands of individual activities linked together  
13            by precursor and successor activities and refined by resource inputs based on construction  
14            craft productivity/availability and commodity and equipment availability. In the discharge  
15            of my duties to monitor the Project, I formed opinions and recognized there were impacts.  
16            SCE&G continued contention that ORS and I were aware of all the construction issues  
17            associated with the Project and thus, should have known the exact impact on the schedule  
18            is ridiculous. It is paramount to stating, “You should have known we were lying to you!”

19    **Q.     DID YOU EXPRESS YOUR OPINIONS ABOUT THE IMPACTS OF THE MAJOR**  
20    **ISSUES TO THE SCHEDULE?**

21    **A.**             Yes. Regarding the March 12, 2015 filing, I believed, at that time and based on the  
22             information available to me as provided by SCE&G, that the Project could be completed  
23             within the 18-month window of the completion dates stated in SCE&G’s petition, as

1        allowed by the BLRA. I believed, at that time. SCE&G was committed to the, dates and  
2        planned to successfully implement all the mitigation plans and productivity improvements  
3        required to meet these dates. I believed SCE&G's commitment to requiring more direct  
4        accountability from the Consortium and dedication to meet construction milestones. In  
5        retrospect and based on my review of the documents obtained through discovery, my  
6        confidence was misplaced. SCE&G intentionally misled me, ORS, the PSC and the public.

7        Pertaining to the May 25, 2016 filing made by SCE&G, I admit that I was not  
8        confident in the completion dates provided by SCE&G in their petition. My skepticism and  
9        concern are reflected in the December 29, 2016, letter which Mr. Dukes Scott sent to  
10        SCE&G regarding the continued lack of an integrated resource-loaded project schedule  
11        (see Surrebuttal Exhibit GCJ-11). Despite the initial optimism that I had felt when Fluor  
12        was added to the Project as the new construction contractor in January 2016, there was no  
13        substantive increase in productivity and the improvements that were expected were never  
14        attained. My concerns were slightly assuaged when the fixed price EPC contract was  
15        implemented because the construction schedule and costs became the sole responsibility  
16        of WEC. In addition, I supported the implementation of the settlement agreement which  
17        ensured the rate payers would be protected by assigning any additional EPC risks directly  
18        to SCE&G.

19        After reviewing the information received through discovery and the transcripts of  
20        the depositions, I am convinced that if the results of the Bechtel assessment had been  
21        known by the PSC, ORS and the public at the time of the evaluation of the 2016 petition,  
22        the outcome would have been impacted and the settlement agreement would have been  
23        significantly altered. Had the PSC, ORS and other parties known the Project had no chance



of meeting the dates to qualify for the Federal Production Tax Credit and with the additional costs associated with increased Project delays, the financial conditions of WEC and of SCE&G would have been recognized to be more serious than was disclosed at the time. The decision to continue with the Project would have been in serious question and/or the conditions under which the Project could have continued would have been substantially altered.

**Q. IN YOUR OPINION, SHOULD SCE&G HAVE BEEN CONCERNED WITH THE COMPLETION DATES ONCE THE FIXED PRICE EPC CONTRACT AMENDMENT WAS IMPLEMENTED?**

**A.** Yes. There are several reasons why SCE&G should have been concerned about the accuracy of the Project completion dates and the Project schedule even though most of the financial risks for construction were shifted to WEC. Apart from applying the minimally requisite standards for project management which require an accurate and complete project schedule, the following would have been of concern to SCE&G relative to the completion of the Project:

- 1) SCE&G remained responsible for determining Owner's costs which are directly linked to the completion schedule;
- 2) SCE&G was responsible for staffing the operations and maintenance staff for the project once it began operation; therefore, they needed to know when to staff and complete the training for these groups;
- 3) SCE&G was to be a full participant in the pre-operational and start-up testing of the plant; therefore, they again needed to know the construction schedule to plan for and staff this work activity;

- 1                   4) Extended schedules would have increased the cost to WEC (and potentially  
2                   to Toshiba) and therefore increased their risks and financial exposure which  
3                   then would have increased their incentives to abandon the EPC contract and  
4                   abandon the project;
- 5                   5) Extended schedules increased the risks to SCE&G because they were  
6                   required by the settlement agreement to complete the construction of the  
7                   plant at their own costs if WEC or Toshiba reneged on the EPC contract;
- 8                   6) SCE&G needed to know the dates when the plant could be relied upon to  
9                   start producing electrical power to perform their integrated resource  
10                  planning and to know how to handle outside power purchase agreements  
11                  and commitments; and
- 12                  7) Tax planning, investment strategies and other financial planning depended  
13                  heavily on knowing the completion dates of the Project.

14           As a result, SCE&G cannot claim they had no interest in knowing and closely monitoring  
15           the construction schedule for the Project merely because the financial risk of construction  
16           was shifted to WEC. The construction schedule remained SCE&G's responsibility  
17           throughout the duration of the Project.

18   **Q.       DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

19   **A.**Yes, it does.

**Office of Regulatory Staff**  
**GARY C. JONES**  
**SURREBUTTAL EXHIBIT LIST**  
**South Carolina Electric & Gas Company and Dominion Energy, Inc.**  
*Docket No. 2017-207, 305, 370-E*

| <b>EXHIBIT<br/>NUMBER</b> | <b>DESCRIPTION</b>   |
|---------------------------|--|
| GCJ-1                     | Transcript of Carlette Walker Deposition CONFIDENTIAL                              |
| GCJ-2                     | August 25, 2014 e-mail from Kevin Kochems to Kenneth Browne                        |
| GCJ-3                     | Transcript of Kenneth Browne Deposition CONFIDENTIAL                               |
| GCJ-4                     | July 31, 2014 e-mail from Kyle Young to Abney Smith                                |
| GCJ-5                     | July 22, 2014 letter from Abney Smith to JoAnne Hyde at WEC                        |
| GCJ-6                     | May 19, 2015 e-mail to Alvis Bynum CEO Talking Points                              |
| GCJ-7                     | April 28, 2015 e-mail from Steve Pelcher to Alvis Bynum                            |
| GCJ-8                     | November 29, 2016 e-mail from Alvis Bynum to Kevin Marsh and Ronald Lindsey        |
| GCJ-9                     | Draft Transcript of Ty Troutman Deposition CONFIDENTIAL                            |
| GCJ-10                    | SCE&G Allowable Ex Parte Briefing to Commission on Recent Activity for NND Project |
| GCJ-11                    | December 29, 2016 Letter from Dukes Scott to Kevin Marsh                           |
| GCJ-12                    | Composite Exhibit of SCE&G correspondence and analysis CONFIDENTIAL                |

**OFFICE OF REGULATORY STAFF  
DOCKET NO. 2017-207, 305, 370-E  
SURREBUTTAL EXHIBIT GCJ-1**

**CONFIDENTIAL**

To: KOCHEMS, KEVIN R[KKOCHEMS@scana.com]; BROWNE, KENNETH JEROME[KENNETH.BROWNE@scana.com]; WALKER, CARLETTE L[CWALKER@scana.com]; WICKER, SHERI L[SWICKER@SCANA.COM]; JOHNSON, SHIRLEY S[SWJOHNSON@scana.com]; CHERRY, WILLIAM[WILLIAM.CHERRY@scana.com]  
From: SMITH, ABNEY A JR  
Sent: Mon 8/25/2014 9:41:09 AM  
Subject: RE: Preparation for Getting and Reviewing the EAC

Good ideas. Let's try to get together today, if possible to discuss. We'll be tied up the next couple of days with ORS. It would be good to have a plan in place by Friday. Thanks for your suggestions and help.

Abney A. (Skip) Smith  
Manager, Business & Financial Services  
New Nuclear Deployment  
South Carolina Electric & Gas Co.  
803-941-9816 (Office)  
803-530-5532 (Cell)  
a.smith@scana.com

From: KOCHEMS, KEVIN R  
Sent: Monday, August 25, 2014 9:37 AM  
To: BROWNE, KENNETH JEROME; SMITH, ABNEY A JR; WALKER, CARLETTE L; WICKER, SHERI L; JOHNSON, SHIRLEY S; CHERRY, WILLIAM  
Cc: YOUNG, KYLE MATTHEW  
Subject: RE: Preparation for Getting and Reviewing the EAC

Ken,

Glad you brought this up. With a complex task of this magnitude and with such a large team, I think it is imperative that we have clear focus on achieving our objectives. With Skip and Carlette setting the overall goals and then you focusing the team on achieving them, I am very optimistic.

To your suggestions:

- 1) Using the ERB is a great idea. This will allow us to stay focused on our task. I would suggest we begin 7:00, which will allow us to go until a natural stopping point.
- 2) I plan on being part of the team and will bring in Meagen if you think we need her.
- 3)
- 4) While this is a Carlette/Skip call, I would think our goal should be to put a price on the schedule we plan to accept. This maybe higher or lower than the EAC delivered.
- 5) I think this needs to be the schedule we plan to file with the PSC (whether we think it is achievable or not).
- 6) Not sure if a presentation or report is better, but we should keep the end product of a PSC filing and Testimony in mind so that we aren't redoing work in a month.
- 7) I think we should get through this as quickly as possible. We are already behind schedule to support a November filing date.
- 8)

I also think spending some time together before Friday is a good idea ( I can do this for you if you'd like).

Kevin

---

**From:** BROWNE, KENNETH JEROME  
**Sent:** Monday, August 25, 2014 8:24 AM  
**To:** SMITH, ABNEY A JR; WALKER, CARLETTE L; KOCHEMS, KEVIN R; WICKER, SHERI L; JOHNSON, SHIRLEY S; CHERRY, WILLIAM  
**Cc:** YOUNG, KYLE MATTHEW  
**Subject:** Preparation for Getting and Reviewing the EAC

I did some thinking over the weekend about a plan for review of the EAC when we get it. As you all know, we are supposed to get it this on Friday morning. Our review will be much more effective and efficient if we have a plan prior to getting it.

- 1) Being separated from everything for the last 2 weeks for work on the schedule has been good and I think a similar approach for the EAC may be beneficial if we need a quick review. Probably not for a whole day, but maybe ½ days (7:00 – 11:30 or 12:30 – 5:00) . There is a conference room here in the ERB that would work well. I don't think it would work as well to attempt the same thing in our conference room in the office, but I guess it is an option. The schedule team review may continue through next week to prepare a presentation but space should be available here. The room has a conference table, 8 chairs (room for a couple more), a white board, and a large TV/ monitor on the wall. There is also a larger classroom with 30 chairs where we have been doing the schedule review. Kyle says we will finished here by this Friday.
- 2) The team composition needs to be determined and people assigned to participate as full time members. Some suggestions...  
Possibly Ken, Kevin (and/or somebody from his team), Sheri (and/or somebody from her team), Shirley (and/or somebody from her team), Marion (or somebody else from Santee Cooper, Fritz Hood?) Christina (to extract Shawtrac data as needed for comparison, full time/part time?), somebody from Construction (full time/part time?)
- 3) Need to identify who will be points of contact for part time support (Construction – for staffing and schedule related questions, Startup and Licensing for example)
- 4) Need to define our mission and goals for the EAC review (validate cost estimate?, cut cost?, identify structural module delay cost?, etc.)
- 5) What Schedule do we want to base our EAC on?
- 6) What will be the product? Presentation to management? Report? Both?
- 7) What is the schedule? If we go with a separated and intensive review, I think we can knock it out in 3 weeks, or so. (9/2 – 9/19)
- 8) Need to set up a few meetings with the Consortium to answer questions and set up a protocol for passing them along and getting the answer (do they have to go through "governance review"?)

Maybe other things I have not thought of...

I have attached the EAC Review summary that we worked on a couple of weeks ago and it probably needs a few tweaks, but it is a good start. I suggest that we get together sometime this week before we get the EAC to discuss, and then sometime on Friday after the delivery.

Please let me know your thoughts on this.

Thanks, Ken

Ken Browne, P.E.  
Senior Engineer  
Business and Financial Services  
New Nuclear Deployment, SCE&G  
(803)941-9817

**OFFICE OF REGULATORY STAFF  
DOCKET NO. 2017-207, 305, 370-E  
SURREBUTTAL EXHIBIT GCJ-3**

**CONFIDENTIAL**



**To:** SMITH, ABNEY A JR[SASMITH@scana.com]  
**Cc:** JOHNSON, SHIRLEY S[SWJOHNSON@scana.com]  
**From:** YOUNG, KYLE MATTHEW  
**Sent:** Thur 7/31/2014 12:08:12 PM  
**Subject:** RE: IPS Schedule review

Just be mindful that if you use the Article 3.3 stance that they have not given us access to a schedule since February, this may contradict what Alan told the ORS (Dukes) in response to their question whether the Consortium is out of compliance. From my understanding Alan cited the 3-week look-ahead and the 18-month look-ahead schedules as compliance with delivering a schedule.

Separately, I think the C.O. 10 argument would be cleaner. It will also hurt our Operational Readiness efforts, because we need an electronic IPS to help tie the SCE&G OR schedule to Consortium end dates for testing and system turnover to our Pre-Op and Maintenance dates, as well as procurement dates for SCE&G supplied-equipment.

---

**From:** SMITH, ABNEY A JR  
**Sent:** Thursday, July 31, 2014 11:55 AM  
**To:** YOUNG, KYLE MATTHEW  
**Cc:** JOHNSON, SHIRLEY S  
**Subject:** Fw: IPS Schedule review

Sent from my BlackBerry 10 smartphone on the Verizon Wireless 4G LTE network.

---

**From:** JOHNSON, SHIRLEY S <SWJOHNSON@scana.com>  
**Sent:** Thursday, July 31, 2014 11:47 AM  
**To:** SMITH, ABNEY A JR  
**Subject:** RE: IPS Schedule review

The EPC Agreement does not mention anything about the schedule having to be in electronic format, which was part of the reason Alan felt it was reasonable and appropriate oversight tool for us to have electronic access to the IPS in Primavera. So we did execute Change Order #10 in the latter part of 2010. In my mind, since they have not given us access to a schedule since February 2014, the Consortium has not been complying with Article 3.3 and now that there is a schedule, but they are not giving us access to an electronic version, they will not be in compliance with Change Order #10.

---

**From:** SMITH, ABNEY A JR  
**Sent:** Thursday, July 31, 2014 11:27 AM  
**To:** JOHNSON, SHIRLEY S  
**Subject:** FW: IPS Schedule review

Shirley, do we have contract leverage in getting electronic schedule? I believe we have change order paying additional dollars for Primavera schedule access? Thanks

Abney A. (Skip) Smith  
Manager, Business & Financial Services  
New Nuclear Deployment

South Carolina Electric & Gas Co.  
803-941-9816 (Office)  
803-530-5532 (Cell)  
[sasmith@scana.com](mailto:sasmith@scana.com)

---

**From:** HYDRICK, BERNARD JR  
**Sent:** Thursday, July 31, 2014 10:24 AM  
**To:** YOUNG, KYLE MATTHEW  
**Cc:** SMITH, ABNEY A JR  
**Subject:** RE: IPS Schedule review

I would very much like to know why we are not getting the schedule in a Primavera format(.xer) that we can download to our server or why it cannot be copied and posted to the WEC server for us to access. We are paying EXTRA money for seats on a server, to access a schedule that that has been of no use for the last 6 months. At the very least...this money should be refunded to us.  
Bernie

**Bernard Hydrick Jr**  
Schedule Coordinator - New Nuclear Deployment  
SCE&G | V.C. Summer Nuclear Station  
P.O. Box 88 | MC P-40  
Jenkinsville, SC 29065-0088  
803-941-9988 Office  
803-391-9359 Cell  
[bhydrick@SCANA.com](mailto:bhydrick@SCANA.com)

---

**From:** YOUNG, KYLE MATTHEW  
**Sent:** Wednesday, July 30, 2014 3:27 PM  
**To:** Elam, Terry  
**Cc:** Tibbetts, Aaron; HYDRICK, BERNARD JR; COLEMAN, JONATHAN M  
**Subject:** IPS Schedule review

Terry,

Here is what we have been told we will receive Friday:

- IPS
  - Level 1 Schedule
  - Critical Path (mitigated and unmitigated)
  - An update to the overall project milestone sheet (the one with 40-50 activities on it)
  - No electronic file of IPS
- EAC
  - A range

Based on this, I need to understand your team's availability to meet with us on the schedule during the month of August. If we do not receive the IPS electronically, then our plan would be to meet with the Consortium project controls team at least 3 days a week to look over your shoulder at particular portions of the new IPS, review assumptions, and run comparisons vs. past baseline schedules, review

resource loading, etc. I would expect that we would leave your folks with tasks in between these meetings to run down.

I just wanted to make sure you were prepared to devote some folks to us in the near term. We want to hit the ground running next week, so please you or Aaron let me know when you want to discuss logistics.

Thanks, Kyle

Kyle Young  
NND Construction  
803.941.9811 Office  
803.543.9582 Mobile



July 22, 2014

NND-14-0431

Abney A. (Skip) Smith  
Manager  
Business & Financial Services  
New Nuclear Deployment

Ms. JoAnne W. Hyde  
Consortium Commercial Director  
Westinghouse Electric Company  
Nuclear Power Plants  
1000 Westinghouse Drive, Suite 112  
Cranberry Township, PA 16066

Subject: V.C. Summer Units 2 and 3 Guaranteed Substantial Completion Dates

Reference: (1) VSP\_VSG\_002819, dated July 16, 2014  
(2) NND-14-0354, "V.C. Summer Units 2 and 3 Guaranteed Substantial Completion Dates," dated June 19, 2014  
(3) Engineering, Procurement, and Construction Agreement for AP1000 Nuclear Power Plants, Dated May 23, 2008 – V.C. Summer Units 2 and 3 ("Agreement")

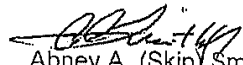
Dear Ms. Hyde:

We are in your receipt of the Consortium's letter in reference (1) in response to our letter in reference (2) and disagree with the Consortium's positions therein. Furthermore, we want to set the record straight on the issue dealing with schedule.

The Consortium's letter in reference (1) can be read to imply that we encouraged the Consortium not to provide a schedule. That statement is inaccurate. We have been pressing for a schedule for months, and it is our position that the Consortium's failure to provide one is a direct breach of the EPC Agreement [reference (3)]. What the Consortium offered, and we declined, was a schedule that both sides knew was incomplete and inaccurate. What we want, and have requested, is a schedule that takes into account all factors and provides realistic and achievable dates which both we and third parties can rely on. Such a schedule was not available to us on the dates referenced in the Consortium's letter [reference (1)]. That schedule is still not available to us as of the date of this letter.

In summary, the only schedules that we have declined to accept are ones that are clearly inaccurate. Please let me know if you have any questions or comments.

Sincerely,

  
Abney A. (Skip) Smith  
Manager  
Business & Financial Services

New Nuclear Deployment • P.O. Box 88 • MC 844 • Jenkinsville, SC • 29065

July 22, 2014  
NND-14-0431  
Page 2 of 2

AAS/mf/cvt

c: Ronald Jones – SCE&G  
Carlette Walker – SCE&G  
Alan Torres – SCE&G  
Brad Stokes – SCE&G  
April Rice – SCE&G  
Roosevelt Word – SCE&G  
Larry Cunningham – SCE&G  
Dave Lavigne – SCE&G  
Ken Browne – SCE&G  
Al Bynum – SCE&G  
Marion Cherry – Santee Cooper  
Christopher Levesque - Westinghouse  
Joel Hjelseth – Westinghouse  
Daniel Churchman – Westinghouse  
Daniel Magnarelli – Westinghouse  
Jeff Coward – Westinghouse  
Travis Tomb – Westinghouse  
Michael Frankle – Westinghouse  
Luke Miller - Westinghouse  
Brian McIntyre – Westinghouse  
Brian Bedford - Westinghouse  
Susan May – Westinghouse  
Denise Cervenyak – Westinghouse  
Linda Ackerman – Westinghouse  
William Macecevic - Westinghouse  
Kenneth Hollenbach – CB&I Stone & Webster  
William O. Wood – CB&I Stone & Webster  
Mehdi Maibodi – CB&I Stone & Webster  
Sean Burk – CB&I Stone & Webster  
Randy Harrison – CB&I Stone & Webster  
Lucinda Vasbinder – CB&I Stone & Webster  
Dave Marcelli – CB&I Stone & Webster  
Dale Garrison – CB&I Stone & Webster  
Thomas Moran – CB&I Stone & Webster  
Ian Hunt – CB&I Stone & Webster  
Jessica Dills – CB&I Stone & Webster  
A.J. Marciano – CB&I Stone & Webster  
Joseph Arostegui – CB&I Stone & Webster  
Rebecca Russell – CB&I Stone & Webster  
Mike Marconi – CB&I Stone & Webster  
Kenneth Jenkins – CB&I Stone & Webster  
VCSNNDCorrespondence@scana.com  
VCSummer2&3ProjectMail@cbi.com  
VCSummer2&3Project@westinghouse.com  
DCRM-EDMS@scana.com

**To:** BYNUM, ALVIS J JR[ABYNUM@scana.com]  
**From:** ricohdevice@scana.com  
**Sent:** Tue 5/19/2015 2:10:54 PM  
**Subject:** Message from "RNP0026738D1D5A"  
[201505191410.pdf](#)

This E-mail was sent from "RNP0026738D1D5A" (Alicio MP 7502).

Scan Date: 05.19.2015 14:10:54 (-0400)  
Queries to: ricohdevice@scana.com

CEO Talking Points – April 28, 2015

□ **Schedule Concerns**

- Consortium has no credibility for developing a realistic schedule
  - In the Aug 2014 Rebaselined Schedule, the consortium stated that Substantial Completion Dates (SCDs) of Dec 2018 and Dec 2019 were achievable for Units 2 and 3, respectively.
  - In Jan 2015, the consortium acknowledged that the Dec 2018/Dec 2019 SCDs were not achievable, but that Jun 2019 and Jun 2020 SCDs for Units 2 and 3 were achievable. However, even meeting the Jun 2019/Jun 2020 dates would require expediting a number of shield building wall panels from NNI three months for Unit 2 and five months for Unit 3.
  - In Mar 2015, the consortium communicated that the Unit 2 SCD had slipped 52 days to Aug 10, 2019.
  - As of Apr 20, 2015 Unit 2 substantial completion had slipped 70 days past the Jun 2019 commitment.
  - The consortium continues to fail on executing critical path work.
    - Two self-imposed stop work actions were required because of lack of work control in the containment vessel.
    - Currently \_17\_ concrete placements are late – not all due to design changes.
    - Layer 3 concrete (baseline date Mar 18) is currently 5/5
  - Incomplete design and late design changes continue to significantly impact construction execution and schedule.
    - A change to rebar configuration for the CA-01 to CA-05 interface has impacted layers 3/4/5 concrete placement in containment.
    - A late change communicated to site Mar 25 has impacted layer 5 rebar and embedments – a potential 12-week delay.
    - Late identification of the use of the incorrect code year for welded rebar couplers resulted in a purposed violation at plant Vogtle and stopped all current concrete pours at VCS. The code year used to

- Target Cost (Since receipt of EAC Aug 29, 2014)
  - Direct Craft Productivity Factor has averaged 2.23 vs. the EAC basis of 1.15 resulting in **\$16.6 million** in additional costs to the Owner.
  - The consortium has indicated and it is apparent that unit rates affecting earned work were bad estimates; therefore, we believe the EAC is significantly understated.
  - Indirect to Direct Craft Labor Ratio has averaged 1.34 vs. the EAC basis of 0.39 resulting in **\$31.4 million** in additional costs to the Owner.
  - Field Non-manual to Direct Craft Labor Ratio has averaged 1.29 vs. the EAC basis of 0.53 resulting in **\$48.1 million** in additional costs to the Owner.
  - The total additional costs over the EAC are **\$96.1 million** in the seven months since we received the EAC.
  - Not only are PF, IC/DC Ratio, and FNM/DC Ratio significantly above the EAC basis, all three are trending higher since receipt of the EAC.
- Production Tax Credits are at risk.
- Financing Costs are at risk for increasing.
- BLRA rate recovery is at risk.
- The Consortium's inability to negotiate reasonable terms with Southern Company for a cost sharing change order for Cyber Security potentially adds a significant cost increase to the proposed change order for SCANA and presents a potential schedule risk for the project.



**To:** Pelcher, Steve[[stephen.pelcher@santeecooper.com](mailto:stephen.pelcher@santeecooper.com)]  
**From:** BYNUM, ALVIS J JR  
**Sent:** Tue 4/28/2015 3:46:05 PM  
**Subject:** RE: CEO Talking Points Document

Thanks -- that helps

---

**From:** Pelcher, Steve [<mailto:stephen.pelcher@santeecooper.com>]  
**Sent:** Tuesday, April 28, 2015 3:39 PM  
**To:** BYNUM, ALVIS J JR  
**Subject:** RE: CEO Talking Points Document

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---

The talking points would be used to help Kevin and Lonnie in a meeting with their counterparts at Westinghouse and CB&I, which will take place at a yet-to-be-scheduled time/location sometime over the next couple weeks.

Although we did not talk about the content of the talking points last Tuesday, from my notes the overall purpose of the meeting is to convey to the Consortium our sense that the project is in jeopardy and we have no confidence in the schedules they are providing to us. We would want to leave them with the sense that 'all options on the table' including shutting down the project, while at the same conveying a willingness to try to get the project back on track. but.

An immediate goal of the meeting would be to get the Consortium to agree to bring a third party to do an evaluation of the project (Bechtel Engineering was mention) to see what would be required to get things back on track, including a lack of design maturity.

**From:** BYNUM, ALVIS J JR [<mailto:ABYNUM@scana.com>]  
**Sent:** Tuesday, April 28, 2015 3:28 PM  
**To:** Pelcher, Steve  
**Subject:** RE: CEO Talking Points Document

What is this being used for?

---

**From:** Pelcher, Steve [<mailto:stephen.pelcher@santeecooper.com>]  
**Sent:** Tuesday, April 28, 2015 3:27 PM  
**To:** BYNUM, ALVIS J JR  
**Subject:** FW: CEO Talking Points Document

\*\*\*This is an EXTERNAL email. Please do not click on a link or open any attachments unless you are confident it is from a trusted source.

---

AI: General observation: This strikes me as extremely detailed, and long for 'talking points.' (Although I can see the detail being extracted and put into a separate briefing document.) Thanks. Steve

---

**From:** CHERRY, WILLIAM [<mailto:WILLIAM.CHERRY@scana.com>]

**Sent:** Tuesday, April 28, 2015 2:00 PM  
**To:** Pelcher, Steve; Crosby, Michael; Baxley, Mike  
**Subject:** CEO Talking Points Document

Skip just sent the attached document to Steve Byrne. Al Bynum was copied.

Marion Cherry  
Santee Cooper Representative  
New Nuclear Deployment - VCSNS  
(803) 941-9818 (NND Office)  
(803) 837-0147 (Mobile)

\*\*\*\*\*  
\*

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To: MARSH, KEVIN B[KMARSH@scana.com]; LINDSAY,  
RONALD[RONALD.LINDSAY@scana.com]  
From: BYNUM, ALVIS J JR  
Sent: Tue 11/29/2016 11:36:16 AM  
Talking Points lonnie Nov 28.docx

See if this helps us

Talking Points

Lonnie's email of November 28 essentially makes three complaints.

Bechtel Report

several points to make

1. We agreed to the CORB in return for flushing the Bechtel report. In fact, Lonnie's email of November 28 arguably acknowledges that:

The formation of the CORB was SCANA's response to the Bechtel Report and Santee Cooper's request for better Project oversight with large EPC experience.

2. The report is of little value. George's email of November 12, 2016:

Having retained Bechtel to aid in preparation for anticipated litigation, I find Bechtel's current, preliminary analysis to be unusable for that purpose. This does not mean that Bechtel's personnel do not have the qualifications necessary to provide meaningful information. It simply means that the analysis is not sufficiently mature to provide meaningful insights into the schedule or the anticipated completion date. Preliminary conclusions often have this shortcoming.

3. George recommended that we not disclose it. His email of July 14, 2015 to Mike Baxley stated:

I would like to add a word or two about the importance of protecting Bechtel's eventual report from disclosure, based on my experience in a similar matter. I was involved in litigation in the USDC for the Western District of Pennsylvania concerning a coal-fired power plant. During the course of construction but before litigation had begun, the opposing party hired an expert to evaluate my client's claims. We learned of the existence of the report and requested production, but the other party refused, contending that the report was privileged. We then successfully moved to compel production. The report in that case was highly favorable to my client, and its production quickly led to a settlement on highly favorable terms. The other side settled because it recognized that it would have a nearly impossible task if it attempted to persuade the fact finder to ignore the report. In short, the consultants hired by the other side effectively "decided" the dispute when it wrote its report, although the report was preliminary and prepared without the aid of discovery. The same could happen here, with the Bechtel report. We should give careful thought to whether we want to put Bechtel in the position of possibly deciding any eventual dispute, based on a seven week review.

4. We have always been reasonable about accommodating legitimate requests

June 23 email from Pelcher to Ron:

I wonder if you have completed vetting the request I made to you late yesterday afternoon to allow John Tiencken, General Counsel of Central, to provide Mike Couick, CEO of the Electric Cooperatives of South Carolina with an un-redacted copy of the Amended and Restated Design and Construction Agreement of October 20, 2011? (Tiencken was provided with a copy of the document several years ago, with SCE&G's knowledge and permission.)

We consented to this. Also allowed them to share with Duke and Century Aluminum

5. Not sure that it is subject to FOIA in any event  
George retained them. The engagement letter (of which we were not a party) dated August 6, 2015 states:

Bechtel agrees to provide professional consulting services to SCH in connection with SCH's representation of Owner concerning the Project.

That was the whole purpose of George retaining them

#### Project Management

Lonnie's November 28 email stated:

We need to be prepared to discuss with our Board, after two years of requests and an affirmative commitment from you on more than one occasion, why this has not yet been done ... I recommend that we move quickly to act on the CORB's recommendations and set specific timeframes for our team to implement.

The attached report includes quotes from several emails in which we agreed to add "resources"

Creation of the CORB arguably satisfied those statements

The only reference in the CORB report:

While there has been progress, Project Engineering needs to ensure adequate resources are available to support Construction needs and complete remaining work on a schedule that supports the substantially complete milestones.

1. Not sure what they say is missing  
Lonnie's letter to Kevin dated October 25, 2016:

PROJECT MANAGEMENT: Santee Cooper would like a detailed status report on implementing the specific set of prioritized recommendations our management teams had assembled, which was discussed the first time our joint Boards met on March 21, 2016, and reviewed again on June 20, 2016. As part of this discussion, the Santee Cooper Board would like to get a report on the activities of the Construction Oversight

Review Board (CORB), including the principal recommendations the CORB has made to improve project management and the status of implementing those recommendations.

But the attached memo states:

Williams requests an update from Archie on Oct 5. Jones forwards a report on Oct 13. The information received was primarily a report on what WEC & Fluor are doing to address CORB recommendations on schedule, engineering, project metrics, etc.

As far as the board meetings, this is all that they say we said:

(March 21) Marsh committed that SCANA and Santee Cooper would work to identify actionable Bechtel recommendations, SCANA would add EPC experts to its team, and that SCANA would charter a V.C. Summer Construction Oversight Review Board to help SCANA with project execution.

(June 20) Peggy Pinnell (Santee Cooper Director) reminds Archie of his commitment in the Mar 21 joint meeting to get the CORB established as soon as possible. Archie recommits to getting the CORB established by Jul 20.

#### Bankruptcy Counsel

Lonnie's November 28 email stated:

After no action on our repeated requests on this topic, as indicated in the attached timeline, I asked our legal team to find bankruptcy counsel. When we advised the SCANA team of this and our recommendation, no response has been received. This issue is of such concern to the Santee Cooper Board (as the timeline shows this was brought up at our first joint Board meeting) that I further asked our legal team to conduct an assessment of the securitization of the Project in the event WEC is unable to finish. This is something that would typically be undertaken by counsel with bankruptcy expertise. The securitization assessment is attached for your benefit. We will be prepared to discuss it further on Wednesday.

1. We originally raised the liquidity concerns – so can't say that we ignored it
2. We don't necessarily agree that counsel is necessary

June 23 email from Pelcher to Bynum

"... Al, one of my notes from Monday's Joint SCANA/Santee Cooper Board Meeting in Columbia was an interest by members of the respective boards in retaining project bankruptcy counsel to provide strategic advice on the challenges associated with Toshiba's financial difficulties arising out of last year's accounting scandal and the risk that posed to the Owners and the project.

Their board requested it – ours did not endorse it. The statement is not true

George does not think that it is necessary

The securitization memo basically concludes that no immediate action is needed:

The Owners have taken already significant steps to securitize the construction of units 2 and 3 at the Virgil C. Summer Nuclear Generating Station. These steps, outlined in Section One, have thus far withstood a global economic downturn, significant decline in Toshiba's creditworthiness, and poor project performance by WEC and its former consortium partners. In current market conditions, there are no reasonably available or appropriately targeted securitization instruments recommended for purchase at this time for reasons outlined in Sections Two and Three of this document.

3. Denton's has an obvious conflict of interest
4. Santee hired their own bankruptcy counsel

**OFFICE OF REGULATORY STAFF  
DOCKET NO. 2017-207, 305, 370-E  
SURREBUTTAL EXHIBIT GCJ-9**

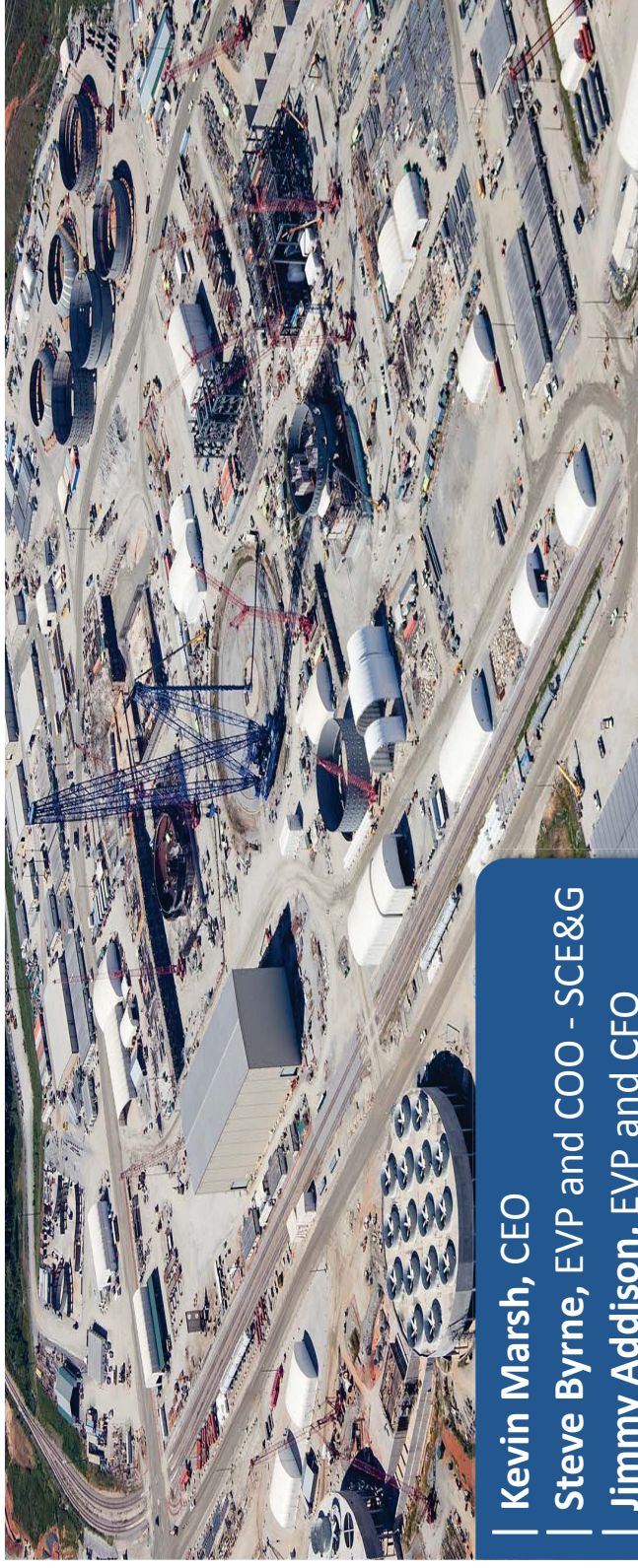
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## Allowable Ex Parte Communication Briefing

Recent Activity Concerning the New Nuclear Units at V.C. Summer Nuclear Station



| Kevin Marsh, CEO  
| Steve Byrne, EVP and COO - SCE&G  
| Jimmy Addison, EVP and CFO

## How The Deal Came About

- Chicago Bridge & Iron's desire to refocus business
- Westinghouse's long-term AP1000 vision
- Increasing lack of cooperation between consortium partners
- Fluor interested in long-term business relationship with Westinghouse



## Goals of Negotiations

- Increase Liquidated Damages
- Meet Deadlines for Production Tax Credits
- Improve Construction Leadership
- Resolve Outstanding Claims and Disputes
- Put Working Relationships on a Stable Footing Going Forward
- Provide Price Certainty
  - Clarify “change in law” provisions
  - Fixed Price Option



| Settlement with Consortium                                   |   |  |  |   |
|--|---|--|--|---|
| All amounts are SCE&G's costs at 55% unless otherwise noted. |   |  |  |   |
|  |   | Order No. 2015-661<br>(Prior EPC)            | Amended EPC  | Fixed Price Option                            |
| 1  | Guaranteed Substantial Completion Dates | Unit 2 - June 2019<br>Unit 3 - June 2020     | Unit 2 - August 2019<br>Unit 3 - August 2020   |   |
| 2  | Capital Cost                            | \$5.247 billion<br>(2007 \$)                 | \$5.492 billion<br>(2007 \$)   | \$6.757 billion<br>(Actual \$)                |
| 3  | Future Escalation to Westinghouse       | \$794 million                                | \$813 million  | \$19 million                                  |
| 4  | Total Expected Project Cost             | \$6.827 billion                              | \$7.113 billion  | \$7.601 billion                               |
| 5  | Liquidated Damages                      | \$155 million @ 100%<br>\$86 million - SCE&G | \$926 million @ 100%<br>\$509 million - SCE&G  | \$676 million @ 100%<br>\$372 million - SCE&G |
| 6  | Incentives                              | Capacity Performance Related                 | Completion Related<br>(Capacity Performance bonus removed)<br>\$550 million @ 100%<br>\$303 million - SCE&G            | \$300 million @ 100%<br>\$165 million - SCE&G |
| 7  | Change in Law Language                  | Generally defined                            | Explicitly defined - Formal written adoption of a new statute, regulation, requirement, or code or new NRC requirement |   |
| 8  | Design Control Document                 | Revision 16                                  | Revision 19  | 4   |

## How We Plan To Move Forward

- Review Fluor's assessment of and impact on schedule
- Evaluate value of the risk premium associated with the fixed price option
- Update the Office of Regulatory Staff on status of evaluation
- Anticipate filing a petition in first half of 2016 seeking to update BLRA schedules to include costs associated with amended EPC



# Specifics of the Settlement/EPC Amendment



## Effective Date/Lapse

- **Amendment Date:** The amendment is dated as of October 27, 2015.
- **Effective Date:** The amendment becomes effective when WEC completes acquisition of the stock of CB&I Stone and Webster, Inc. (Stone & Webster).
- **Lapse Date:** The amendment lapses if the acquisition is not completed by March 31, 2016.





## How Either Option Compares to Prior Arrangement

- New Guaranteed Substantial Completion Dates (GSCDs):
  - August 31, 2019, for Unit 2
  - August 31, 2020, for Unit 3.
- Increased Liquidated Damages (LDs) (SCE&G's 55% share):
  - Amended Option \$509M (6 times original contract amount)
  - Fixed Option \$372M





## How Either Option Compares to Prior Arrangement (Cont.)

- Amended “change-in-law” provision
- WEC agrees to provide Units that fully meet DCD-Rev.19 aligning contract with license.
- Control over and accountability for Consortium will no longer be divided between two companies.
  - Fluor responsible for construction
- Equipment warranties are extended to two years past the GS CDs.
- Incentives restructured to focus the construction team on obtaining production tax credits



## How Either Option Compares to Prior Arrangement (Cont.)

- The parties cannot sue each other before the GSCD.
- Resolves substantially all disputes and change orders.
- All payments will be milestone-based going forward.
- A dispute resolution board will provide for the prompt resolution of commercial disputes.
  - The composition of the board is to be determined.
  - For amounts in excess of \$5 million, rulings would affect rights during construction only and would lapse at the GSCD.



## How the Options Differ

|                            | <u>Amended</u> | <u>Fixed</u> |
|----------------------------|----------------|--------------|
| • Liquidated Damages       | \$509M         | \$372M       |
| • Project Costs            | \$7.113B       | \$7.601B     |
| • Increase from 2015 Order | \$286M         | \$774M       |



## Involvement Of Fluor

- WEC intends to engage Fluor Corporation as a construction manager.
- Fluor was constructor on:
  - Parr Reactor
  - V.C. Summer Unit 1
  - Cope Generating Station
  - Jasper Generating Station
  - Urquhart Units 1 and 2 Repowering
  - Wateree and Williams Station SO<sub>2</sub> Scrubbers
- Fluor is already “on-ramping.”
- Fluor is a WEC sub-contractor, not a Consortium member.



# Financial Overview



## Components of \$286M Increase

| Changes from Order No. 2015-661 (million \$)    |           |           |                |
|---|-----------|-----------|----------------|
| Order No. 2015-661 Total                        |           |           | \$6,827        |
| EPC Contract Costs - Addition of Settlement     | \$137     |           |                |
| EPC Contract Costs - Uncovered Position on LD's | <u>86</u> |           |                |
| Subtotal EPC Costs                              |           | \$223     |                |
| Owner's Cost (Associated with Delay)            | \$ 22     |           |                |
| Escalation                                      | 24        |           |                |
| AFUDC   | <u>17</u> |           |                |
| Subtotal Other                                  |           | <u>63</u> |                |
| Total Change                                    |           |           | <u>286</u>     |
| Revised Total Cost of Project                   |           |           | <u>\$7,113</u> |



## Components of \$774M Increase

| Changes from No. Order 2015-661 (million \$)                  |           |           |            |
|---|-----------|-----------|------------|
| Order No. 2015-661 Total                                      |           |           | \$6,827    |
| EPC Contract Costs - Addition to Move to Fixed (Risk Premium) | \$633     |           |            |
| EPC Contract Costs - Uncovered Position on LD's               | <u>86</u> |           |            |
| Subtotal EPC Costs  |           | \$719     |            |
| Owner's Cost (Associated with Delay)                          |           |           |            |
| AFUDC   | <u>33</u> |           |            |
| Subtotal Other  |           | <u>55</u> |            |
| Total Change  |           |           | <u>774</u> |
| Revised Total Cost of Project                                 |           |           | \$7,601    |



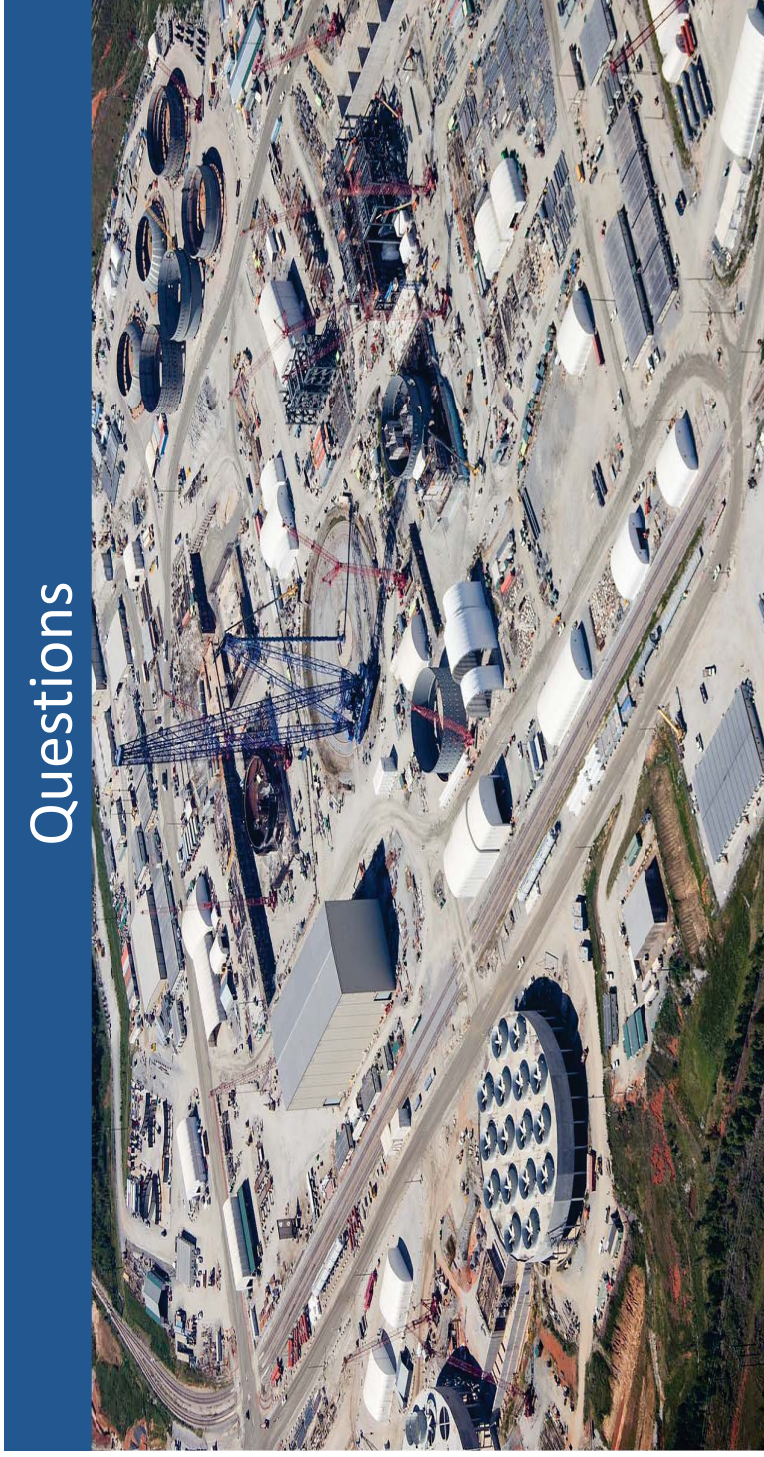
## Fixed Option Considerations

- Fixed Cost Option must be exercised by November 1, 2016
- In its evaluation of the Fixed Cost Option, SCE&G will consider:
  - Limitation of Capital Costs Increases
  - Elimination of Inflation Risks
  - Reduced Likelihood of Future Commercial Disputes
- Fluor's Review of Work Plan





## Questions





C. Dukes Scott  
Executive Director

STATE OF SOUTH CAROLINA  
OFFICE OF REGULATORY STAFF

1401 Main Street  
Suite 850  
Columbia, SC 29201

December 29, 2016

Mr. Kevin Marsh  
Chairman and Chief Executive Officer  
SCANA Corporation  
220 Operation Way  
Mail Code: D302  
Cayce, SC 29033-3701

Re: SCE&G Petition for Updates and Revisions to Schedules Related to the  
Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South  
Carolina - Docket No. 2016-223-E.

Dear Mr. Marsh,

I am writing to follow up on the production by SCE&G to ORS of the revised fully resource-loaded integrated project schedule ("Revised Project Schedule") and related information that is the result of the comprehensive review conducted earlier this year by Fluor after it was brought into the V.C. Summer project. ORS requested the production of this Revised Project Schedule early last spring and again during our review of SCE&G's application in Docket No. 2016-223-E. Although we were told initially that the Revised Project Schedule would be available to Westinghouse in the 3<sup>rd</sup> quarter of 2016<sup>1</sup>, it was not.

Our interest in seeing the Revised Project Schedule has been intensified by recent events. ORS has been closely following news in financial publications regarding Toshiba Corporation ("Toshiba"), the parent company of Westinghouse Electric Company, LLC ("Westinghouse") which holds the Engineering, Procurement and Construction contract ("EPC Contract") for V.C. Summer Units 2 & 3 ("the Units" or "the Summer Project"). ORS is deeply concerned regarding statements in Toshiba's December 27, 2016 press release that indicate it is facing massive losses relating to the nuclear operations of Westinghouse<sup>2</sup>.

ORS has had ongoing concerns regarding the project schedule since it was informed last spring that Fluor and Westinghouse were undertaking an effort to produce a revised fully resource-loaded Revised Project Schedule using Fluor's construction metrics. Now that Toshiba has announced significant

<sup>1</sup> In response to Question 1-33 of ORS's AIR dated March 4, 2015 regarding the October 2015 Amendment to the EPC Contract, SCE&G indicated that the target schedule for the completion of Fluor's Assessment and recommendations for changes to the schedule was the 3<sup>rd</sup> quarter of 2016.

<sup>2</sup> In particular, ORS is concerned regarding the statement that reads: "Currently, as the timing reaches the deadline (December 31, 2016) for the procedure, the possibility has been found that the goodwill will reach a level of several 100 billion yen or several billion US dollars, resulting in a negative impact on Toshiba's financial results, as a result of impairment of all or part of the goodwill."

charges to be written off against the Westinghouse nuclear operations, ORS's concerns about the status of the Summer Project are renewed and increased. These developments call into question the ability of Toshiba to stand behind the additional losses that may need to be incurred to complete the Units.

ORS has no direct authority over Westinghouse or Toshiba to compel the production of information relating to the Revised Project Schedule. However, ORS does have a relationship with SCE&G and has been promised by SCE&G that it will provide the Revised Project Schedule to ORS. The time has come for SCE&G to insist that Westinghouse produce the Revised Project Schedule, including Fluor's input, to SCE&G so that SCE&G can provide it to ORS. As reflected in paragraph 10 of the settlement agreement in Docket 2016-223-E, the Revised Project Schedule is critical to the preparation by SCE&G of revised milestones that are intended to guide the completion of the Units and to provide ORS a way of monitoring the progress of the project. It is imperative that ORS be provided with the Revised Project Schedule so that we can do our job in monitoring the project.

ORS believes that the only major project activity that could have resulted in Toshiba's announcement is Westinghouse's analysis of Fluor's input to the Revised Project Schedule. We are aware that Fluor's input has already been developed and reviewed by Westinghouse on-site management and we have been told that the Revised Project Schedule is currently under review by Westinghouse corporate management. During our December meetings with project personnel, ORS was informed that the Revised Project Schedule would not be available until at least late January or February 2017. In view of recent developments, this delay is unacceptable. Both SCE&G and ORS deserve to understand the schedule and budget risks identified by Fluor's review and the potential impacts these may have on the project. It is difficult for ORS to do our job, and for SCE&G to do its due diligence as an Owner, without timely access to this critical information regarding budget and schedule risks. We can no longer wait to learn the potential impacts of this Revised Project Schedule, and we need to be privy to the information developed by Fluor without the refinements and proposed mitigations that may result from Westinghouse corporate review.

Therefore, we ask that SCE&G request from Westinghouse the input provided by Fluor regarding the Revised Project Schedule immediately, including input regarding unit rates and labor man hours, and initiate all necessary actions to ensure that ORS is provided with this input by January 10, 2017. As soon as the entire Revised Project Schedule, including Westinghouse's input, is available, ORS requests that it be provided as well. This request is made pursuant to S.C. Code Ann. § 58-27-40, which requires each electrical utility to obey and comply with all requirements of every direction prescribed by the ORS in relation to any matter relating to or affecting the business of the electrical utility.

Sincerely,



C. Dukes Scott  
Executive Director

Kevin B. Marsh  
Chairman, President & CEO



January 18, 2017

Mr. Dukes Scott  
Executive Director  
Office of Regulatory Staff  
1401 Main Street, Suite 850  
Columbia, SC 29201

Dear Dukes,

Thanks for your letter dated December 29, 2016 regarding the recent announcement by Toshiba and Westinghouse of pending write-downs associated with the Summer and Vogtle AP1000 nuclear projects. I share your concerns regarding the impact of these write-downs and the delivery of the revised fully integrated construction schedule (the "revised schedule"). As we discussed, our SCANA team along with representatives of Santee Cooper met with Westinghouse and Toshiba in an effort to learn more about this situation and inquire about the delivery of the revised schedule we were expecting by the end of 2016. I also share your high level of interest in receiving the revised schedule as soon as possible.

I provided Westinghouse and Toshiba a copy of your letter to emphasize the importance of having access to the schedule as part of our commitment to keeping both the Office of Regulatory Staff and the Public Service Commission of SC updated on the status of the new nuclear project. Westinghouse and Toshiba have informed me that the revised schedule is a part of the financial review and evaluation of the pending write-downs associated with the AP1000 projects, and that they expect the revised schedule to be available at the time Toshiba releases its financial results in mid-February.

We continue to communicate with Westinghouse and Toshiba in order to monitor this situation as closely as possible and will update you accordingly.

Sincerely,

Kevin B. Marsh

KBM/pcr

**OFFICE OF REGULATORY STAFF  
DOCKET NO. 2017-207, 305, 370-E  
SURREBUTTAL EXHIBIT GCJ-12**

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